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# Reward Management Practices and Employee Performance in Commercial Banks in Kenya

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***Abstract***
*The contribution of Human resources to the overall organizational well-being cannot be overlooked as these resources have time and again been regarded as important assets to the organization. The most perpetual challenge in most organizations today is lack of a well-structured reward management practices and employee performance program. This has heightened the need for reward management system in order to achieve employee performance in Commercial Banks in Kenya. Organizations develop their managers with the hope that they will transfer the attained knowledge towards employee performance. The main objective of the study was to establish the reward management practices that influence employees' performance. This study is based on a comprehensive review of literature on reward management practices that establish what other researchers have established in the link between reward management practices and employees' performance. Social exchange, Maslow hierarchy of needs, expectation and Equity theories were reviewed in demonstrating the contribution of rewards systems to the overall employees' performance. Most of the studies reviewed used descriptive research design and descriptive and inferential statistics in the analysis of data with the collection of data mainly being through the use of questionnaires and interviews. The studies were cross sectional in nature. Gaps in reward management have led to organizations seeking to get managers from outside the organization which enhances competition for highly developed managers. However, some questions as to whether there are benefits accrued in investing in reward management practices still linger and some studies viewed the programs as a waste of resources.*

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## I. Background of the study

In this present world of globalization where business has gone beyond national boundaries and employees are protected by international laws and engagement, reward systems are fast becoming a competitive tool to many firms. The advent of globalization has brought about greater pressure on business management to be proactive, creative and innovative in order to survive the turbulent business environment that now transcends national boundaries (Ezigbo, 2011).

Africa as a continent has used rewards systems from pre-colonial days. However, Africa's pre-colonial employee rewards were not as advanced as the monetary extrinsic systems used in Europe (Dewhurst, Guthridge & Mohr, 2010). Employees who worked in farms received higher rewards when the harvest was bountiful as a way of showing appreciation and recognition.

In East Africa, Kenyan companies have been at the leading front in developing employee reward systems for enhancing employee performance (Kabaka et al, 2014). Kenya has a robust hospitality and service sectors. Industries have to compete to ensure that their reward systems are not only competitive, but also enhance employee performance that feeds into organizational performance.

Rewarding is a very powerful management tool for enhancing business performance: it influences employees' behavior, skills and performance. Its also a motivators and significant interventions for improving employee performance and satisfaction (Armstrong, 2010), The design and management of reward systems in a global context is a challenging task that requires specific skills and expertise. International rewards often involve a delicate balancing act between global standards and local customs in pay practices. In a globalized economy with millions of businesses vying for talented workforce, an organization must be able to motivate and properly compensate employees or risk their being poached by their competitors. Today organizations are showing a high degree of commitment towards reinforcement of reward practices which are aligned with other HR practices and the goals of the organization for attracting, retaining and motivating employees.

Organizations needs employees with high performance to meet goals, deliver products and services and to achieve competitive advantage in the market (Ojeleye, 2016). Performance is very crucial same as to reward system because when employees achieve their high level of performance, they want an adequate reward in return. If they cannot achieve the goals and show low performance in the organization, it will result in dissatisfaction (Ojeleye, 2016).

Reward in organizations encompasses both financial and non-financial aspects, tangible and intangible aspects as opposed to the erroneous views that reward has to do with compensation alone. Rynes, Colbert and Brown (2002) explicate that when business owners think of reward systems, they typically put compensation at the top of the list. Reward systems are more than just compensation or monthly salaries (Bratton & Gold, 2007). Reward systems are all of the monetary, non-monetary, and psychological payments that an organization provides for its employees (Turinawe, 2011). They include both of these incentives; but can also include awards and other types of recognition, promotions, reassignment, or other non-monetary bonuses too (Roshna & Rohan, 2016). This is captured in the definition of reward management by Armstrong and Murlis (2007) which states that reward management refers to the strategies, policies, and processes that are required to ensure that the contribution of people in an organization is recognized by both non-financial and financial means. Every company needs a reward system for employees that address four key areas: compensation, benefits, recognition, and appreciation (Sarvadi, 2005).

Jiang et al., (2009) sees reward as a prize given to employees as an inducement towards their performance. It is the compensation which an employee receives from an establishment in exchange for the service offered by the employee (Jiang et al., 2009). Thus, reward is viewed as an exchange relationship between an employee or group of employees and an organization. Milkovich and Newman (2002) look at reward as an exchange strategy. They state that: "Employees may see reward as a return in exchange between their employer and themselves, as an entitlement for being an employee of the company, or as a reward for a job well done. Reward comes under what is called an employment exchange (Rynes & Gerhart, 2000). Given the whole ambit of human resource management, hardly is any issue more vital, relevant, and crucial to an employee than what he gets in exchange for his labour and services to the organization (Banjoko, 2006). Reward and its management are meant to complement the effort put forth by employees to propagate the well being of the organization. Banjoko (2006) emphasize that reward management systems are meant to complement and reinforce business strategies.

Korir and Kipkebut (2016) state that reward management in competitive firms are designed in ways that make them to have accurate predictions on their current and future expected results. Mollahosseini et al. (2014) opine that reward management systems should be designed in a way that ensures maximum benefits for an organization. A well-designed reward system creates a sense of belonging among employees in an organization (Dalvi & Ebrahimi, 2013).

### 1.1.1 Employees performance

Employee performance is defined as the degree to which an organizational member contributes to achieving the goals of the organization. Employee performance is vital to an organization as they play as an imperative mechanism that contributed to the success of an organization. Most organizations can measure employee performance through the quantity of output, quality of output, timeliness of output and labor productivity (George, 2015). What employee does or does not do will affect the reputation of the organization.

Performance is measured through performance appraisal to measure the achievement of key performance indicators that may include achievement of targets, timelines among others. It can be seen that employees' individual's performance has an impact on the organization's wider objectives, and it is thus imperative that every employee's performance should be managed. This process of performance management includes group assessments and peer reviews, as well as written reports (Hellriegel et al 2004).

### 1.1.2 Reward management practices

Armstrong (2010) explain that reward management is concerned with the formulation and implementation of strategies and policies, aimed at rewarding people fairly, equitably and consistently in accordance with their value to the organization and thus help the organization to achieve its strategic goals. It deals with the design, implementation and maintenance of reward systems (reward processes, practices and procedures) that aim to meet the needs of both the organization and its stakeholders.

Reward management practice is one of the strategies used by human resource managers for attracting and retaining suitable employees as well as facilitating them to improve their performance. Therefore, human resource managers must design reward structures that facilitate the organizations strategic goals and the goals of individual employees (Maund 2001). Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). Reward practices include; salaries and wages, awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or simple appreciations (Kotelnikov 2010). Gerhart and Rynes (2003) explain that reward relates to pay, both fixed in the form of salaries and wages, and variable through schemes such as incentives and bonuses.

**1.1 Commercial Banks in Kenya**

The banking industry is a very important sector in any country as it promotes national growth of the economy and also provides several services to its customers across the globe. Investopedia defines Commercial Bank as a financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending and basic investment products like savings accounts and certificates of deposit.

The Bank Supervision Department (BSD) mandate is stipulated in section 4(2) of the Central Bank of Kenya Act, which is to foster liquidity, solvency and proper functioning of a stable market-based financial system. Among its many functions is to develop appropriate laws, regulations and guidelines to achieve its objectives through continuous review of the Banking Act, Microfinance Act, Central Bank of Kenya Act and related prudential guidelines and regulations. As at 31st December 2013, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance companyMFC), 7 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 credit reference bureaus (CRBs) and 101 forex bureaus (Banking Supervision Annual Report-BSAR, 2013).

**1.3 Problem Statement**

To stay competitive in the industry and increase market share, Commercial Banks needs to have efficient and effective strategies in different areas of operation. Productivity and success of the company depends a lot on the employee performance and motivation. A comprehensive reward system is an effective management tool for motivating employees particularly low performers, but also increasing job satisfaction particularly of high achievers (Dewhurst et al, 2009)

In the recent past, hardly a week passes without a threat of industrial action by employees in one corner of the globe. An industrial dispute is caused by revolting employees who disturb industrial peace and harmony. Industrial disputes generally arise due to tensions between labour or the representatives of the employees and the management and gives rise to more issues. This may cause employees not to do their work, and affecting the quality and quantity of production. Continuous strikes, sit-ins and lock-outs disrupt the productivity in the organization leading to low revenue which in turn results to low profits, bonuses among others.

Labour representatives advocate for their members on work related issues revolving on the rewards system in place. Reward strategies employed by many organizations fails to cover what actually employees seeks in their work place. For harmony to prevail in the work environment there should be an appropriate reward strategy that caters for the interest of both parties.

Balancing the interest of employees and their employers is not an easy task. It requires a systematic approach to what actually affects performance of employees. It is imperative to determine the reward strategy contribute to the employees‟ performance in order to avoid serial strikes. Njanja et al (2013) researched on reward practices and employee performance at Kenya Power and Lighting Company and found that cash bonuses had no significant effect on employee performance. On the other hand, Mutua (2011) examined Reward Management and Employee Performance in National Hospital Insurance Fund, Kenya and found out that rewards have a positive influence on employee performance in NHIF. This study sought to determine the effects of rewards strategy on the employees‟ performance in commercial banks in Kenya.

**1.4 General objective**

The general objective of the study is to investigate the effects of reward management practices on employee performance.

**1.4.1 Specific objectives**

The specific objectives include:

i. To examine the effect of monetary rewards on employee performance.
ii. To determine the effect of non- monetary rewards on employee performance.
iii. To establish the effect of psychological rewards on employee performance
iv. To examine the moderating effect of job satisfaction on employee performance.

**1.5 Hypothesis**

The research hypothesis is as follows:

$H_{01:}$ There is no significant relationship between monetary rewards and employees' performance.
$H_{02:}$ There is no significant relationship between Non – monetary rewards and employees' performance.
$H_{03:}$ There is no significant relationship between Psychological rewards and employees' performance.
$H_{04\,:}$ There is no mediating effect of job satisfaction and employees' performance.

## II. Theoretical Review

### 2.1 Introduction

Different researchers have used different theories to show the connection between reward management practices and employee performance. This chapter will assess the different theories which have been used to explain the linkage between reward management practices and employees performance and establish if there are any theoretical gaps.

### 2.2 Maslow's Hierarchy of Needs Theory

In motivation and reward theories, Maslow's Hierarchy of Needs Theory is the best known cited theory. Abraham Maslow proposed this theory in 1943. In this theory, Maslow claims that for every human being, a hierarchy of five needs exists (Maslow, 2013). He puts forward that people are motivated by five basic categories of needs: physiological, safety, love, esteem, and self-actualization.The lower order needs are physiological needs and safety needs. On the other hand, higher order needs include the social needs, self-actualization needs, and esteem needs. In the context of rewards, needs entails internal states that make certain outcomes appear attractive? For example, money in Maslow's theory would essentially satisfy lower needs and motivate employees to work harder aiming at higher needs. In most cases, employees fight for money as a security need, provision of clothing, food, and shelter while on the other hand, money could act as a self- esteem need capable of giving the individual a sense of self-worth.

Maslow also created the term "metamotivation" to describe the level of motivation of a person who attempts to go beyond the basic needs and strives for improvement constantly. He explained that due to the human complexity, it is not an easy task to motivate employees, and organizations must have an efficient well-thought reward system to be able to influence workforce job satisfaction level, commitment to an organization performance and personal development (Latham, 2012).

### 2.3 Social Exchange Theory (SET)

The genesis of social exchange theory goes back to 1958, when American sociologist George Homans published an article entitled "Social Behavior as Exchange." Homans devised a framework built on a combination of behaviorism and basic economics. In the immediate years that followed, other studies expanded the parameters of Homans' fundamental concepts.

The foundation of social exchange theory rests on several core assumptions regarding human nature and the nature of relationships. The first assumption is that humans tend to seek out rewards and avoid punishments. Another tenet is the assumption that a person begins an interaction to gain maximum profit with minimal cost — the individual is driven by "what's in it for me?" A third assumption is that individuals tend to calculate the profit and cost before engaging. Finally, the theory assumes that people know that this "payoff" will vary from person to person, as well as with the same person over time.

Social exchange theory is a concept based on the notion that a relationship between two people is created through a process of cost-benefit analysis. In other words, it's a metric designed to determine the effort poured in by an individual in a person-to-person relationship. The measurement of the pluses and minuses of a relationship may produce data that can determine if someone is putting too much effort into a relationship.

The theory is unique in the sense that it doesn't necessarily measure relationships on emotional metrics. Rather, its systematic processes rely on mathematics and logic to determine balance within a relationship. While the theory can be used to measure romantic relationships, it can also be applied to determine the balance within a friendship.

### 2.4 Expectation Theory

The Expectancy Theory was developed in 1964 by Victor H. Vroom. Expectancy theory argues that the strength of a tendency to act in a certain way depends on the power of an expectation that the act will be followed by a given outcome and on the attractiveness of the outcome to the individual (Vroom,1964). Here, attractiveness is the importance that the individual places on the potential outcome that can be achieved on the job. This theory posits that individuals such as employees will often tend to act or perform to given extent on the basis of the expectation that, that act has a given pleasant outcome that will follow.

Three variables are often linked to the expectancy theory. First, there is the effort performance linkage to expectance which entails the probability individuals perceive in line with the notion that when they exert a given level of effort, they will eventually perform as expected. Second, there is the linkage between performance rewards and instrumentality (Robbins et al., 2013). This linkage or relationship focuses on the belief that individuals eventually attain the desired outcome when they perform at a given level. Third, there is the relationship between valence and attractiveness. This stipulates the importance placed by individuals on the rewards that a given job is likely to afford them.

Expectancy theory is about the mental processes regarding choice, or choosing. It explains the processes that an individual undergoes to make choices. This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients. Victor H. Vroom (1964) defines motivation as a process governing choices among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results.

Motivation is a product of the individual's expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result, and the desirability of this result for the individual, known as valence.

### 2.5 Equity Theory

Adam's Equity Theory, also known as the Equity Theory of Motivation, was developed in 1963 by John Stacey Adams, a workplace behavioral psychologist.Equity Theory is based on the idea that individuals are motivated by fairness. In simple terms, equity theory states that if an individual identifies an inequity between themselves and a peer, they will adjust the work they do to make the situation fair in their eyes. As an example of equity theory, if an employee learns that a peer doing exactly the same job as them is earning more money, then they may choose to do less work, thus creating fairness in their eyes.

It thus becomes imperative to understand how employees perceive their input-outcome ratios when deciding on the plausible ways to motivate or reward those (Robbins et al., 2013). A state of equity will always exist when employees perceive that their input-output ration is equal to those of other employees relevant to their levels. This does not present issues when it comes to rewarding the employees. However, whenever employees perceive that there is a given level of inequity in input- outcome ratio, there are several actions they likely will take including, distorting their own inputs or outcomes or those of others. It is highly likely that when employees realize they are over-rewarded or under-rewarded they will behave in a way that will eventually induce other employees to change their input-outcome ratios.

In situation where employees perceive they are over-rewarded, they will be motivated and thus will put more effort in their work (Robbins et al., 2013).

Eventually, these employees might act in ways that other employees will perceive they are under-rewarded which may result in tension or a reduction in the other employees' performance. In situations that employees feel under- rewarded, they might employ less effort in their work resulting in reduced levels of production while in cases where employees perceive they are over-rewarded, they feel more motivated to work harder (Robbins et al., 2013). Additionally, under-rewarded employees may decide to quit their jobs or the over-rewarded employees cause other employees to quit their jobs. Moreover, the equity theory has its own inherent problems. This theory leaves several core issues unclear. Such issues include how employees define their inputs and outcomes as well as those of others. Another key issue left unclear by this theory is how employees combine outcomes and inputs as well as weigh them to come up or arrive at totals (Robbins et al., 2013). Moreover, the theory does not explain how these factors change over time. Despite the limitations of the equity theory, it rides on an impressive research support, offering crucial insights into employee reward systems.

## III. Empirical Review

### 3.1 Introduction

This chapter will emphasize on an empirical review of selected studies on reward management practices and employee performance in commercial banks in Kenya with a view of identifying the research and methodological gaps.

#### 3.1.1 Reward management practices and employee performance

Several studies have been conducted in Africa on the issues on reward as it affects employee's performance. Danso et al. (2013) carried out research work on effects of rewards systems on employees performance in Ghana Commercial Bank and found out that reward systems misuses is one of the problem confronting many banks in west African region. Similarly, Nyandema et al. (2014) examined the effect of intrinsic reward on motivation among employees as well as the effect of extrinsic reward on motivation among employees and concluded that both intrinsic and extrinsic reward systems affect career development and motivation among employees of Kenyan firms. Further, studies such as (Bello & Adebajo, 2014; Jesca, 2014; Murphy, 2015) come into the same submissions.

In an ever-competitive local and global business environment, many organisations are trying to develop effective reward strategies that are directly linked to the enhancement of employees and organizational performance (Milne, 2007). A properly developed and managed reward system can be a vehicle for high performance, work satisfaction and commitment. Supported by other HRM practices, an appropriate reward system plan can provide the stimulus for desired behavioural change and performance enhancement. Armstrong (2009), Harris (2005), McKenna & Beach 2002 and Torrington *et al. (*2005) all agree that before employees join organisations, they ask themselves several questions such as how much they would be rewarded for the work and whether the job will meet their expectations. Furthermore, the organisation has to show, at least in principal that it is not 'a too demanding sort' and paying too little attention to rewarding accordingly. As many authors would agree reward policy provides guidelines for decisions and action in a number of areas including consideration for market rate pay, Internal and external equality, Merit pay and incentives. They further argue that the objectives for devising remuneration policies are many but at least they are meant to obtain optimal performance from employees, encourage employees to improve their performance have sufficient flexibility to reward high performers and deal with poor performers, attract sufficient suitable employees and encourage retention of effective employees.

Ermias (2017) did his study to investigate whether reward system has an impact on performance of employees at national bank of Ethiopia. His multiple regression analysis showed there is a positive relationship between monetary and non-monetary rewards with the perceive employee performance in the bank. But the study lacked qualitatively analyzed result though he argued his study is triangulated based on mixed research approach. This indicate he did not keep his research approach to be integrated with his data analysis methods. In line with Ermias (2017) finding, Nigatu (2015) recommended the mix of financial and non-financial reward methods is more important to increase the employee's performance based on his study in public financial institution. Significant relationship between performance of employees and salary have been well established in studies by Heneman, Kochan & Locke (1995). They indicated that financial reward is one of the most significant variables in determining better employee performance. Ibrar et al. (2015) explained how employee performance is influenced through reward in private school with special reference of Malakand private school. His study indicated that there is significant relationship between compensation and employee's job performance. The study of Waruni and Ayesha (2014) identified different reward packages on perceived performance of employee with special reference of Electrico. It was a quantitative research with only regression analysis. This study proved that there is significant relation between salary payment and employee performance. Additionally, this study indicated from the non-financial reward variables recognition has the highest correlation coefficient with performance. The two authors recommended appreciation of staffs and employees are an important element of reward to enhance employee's performance.

Agwu (2013) conducted study on the effect of equitable system of compensation on employees' performance in Nigerian Agip Oil Company limited Port-Harcourt. The research tried to examine the implementation of the reward system in relation employees' job performance in the above-mentioned company. The study concluded that the existence of fair reward system has significantly affected the employees' jobs. However, it has been observed that companies are not providing right amount of financial rewards to employees.

The study Aktar et al. (2012) focused to investigate financial and non-financial compensation in relation with performance of employees. This research identified different influencing variables which determine performance of staffs in financial industry. The result revealed that there is an important relationship each explanatory variable with performance of the employees in the banking sectors.

Subekti and Setyadi (2016) did a study to find factors to create a link between compensation, employee satisfaction, and performance at individual level. The study came up with identification of variables which affect performance through the mediating function of satisfaction. Finally, they conclude that reward system has a significant relationship with performance of employees

Moreover a study conducted by Gungor (2011) tried to examine the relation between the reward management system and staffs performance of bank employees on global banks in Turkey Istanbul. Multiple regression analysis was used to observe the relation of reward and performance. Based on his conclusion, the reward system significantly influences the performance of the employees in the Global banks. This study revealed that the non-financial reward and compensations have more predictor performance of employees than the non-financial rewards.

The study conducted by Kibet et al. (2013) on Kenya Power and Lighting Company (KPLC) Ltd focused on the examination of whether cash bonus has an effect on employee performance. The study was conducted through correlation research design. Descriptive and chi-square analysis was used to investigate the relation between cash bonus with performance of employees. The result showed that cash bonus has no significant impact on employee performance ($p=0.8$). This finding shows there are conditions where reward may not affect the employees performance though the study was conducted through one reward element.

Furthermore, a study conducted by Ajila et al. (2004) tried to investigate the effect of reward and compensation on employee's performance of central Bank Nigeria, Abuja. The data were collected through a self – designed questionnaire. They tested their finding at 95% degree of confidence. The result indicated that there is a positive relation between extrinsic reward and compensation with the staffs' performance in the bank.

However, no relationship existed between intrinsic rewards and performance of workers. Omokorede (2017) investigated the impact of financial rewards on employee performance in selected Nigerian manufacturing. The regression analysis shows R2 = 0.002. This implies that salary and wages have a 0.2% influence on employee performance. The p =0.421 at 0.05 alpha level and 95% confidence level. This proved that salary and wage have no significant impact on employee performance. However the study of Cable, Higgs and Judge (2000) and Tsai (2005) identified salary as most effective reward method to maximize the productivity of employees.

Reward Management should be governed by the need to reward the right performance and to get the right message across about what is important for the organization. The idea that employees who do well at work and inject more effort with the perception that the employer will reciprocate by giving fair remuneration and benefits, is based on the expectancy theory. Employees who are paid low wages and those who are not rewarded or appraised on their performance do not perform any better at work (Handel and Gittleman, 2004). Further, Neumark *et al.* (2004) noted that the absence of a respected benefit scheme has led to low turnover in organisations, arguing that low turnover leads to lower profits and, hence, less taxes to be paid. Neumark *et al.* (2004) also noted that many organisations value their employees' performance and reward them so that they can increase their effectiveness in the organisation. Organisations consider human resources as an important source of competitive advantage. Performance and reward management ensures that there is work assessment, which without, it will be difficult to know whether the organization is achieving its objectives and services or not and to what extent (Gottschalg and Zollo 2007).

**3.3.2 Summary of gaps in the Literature Review**

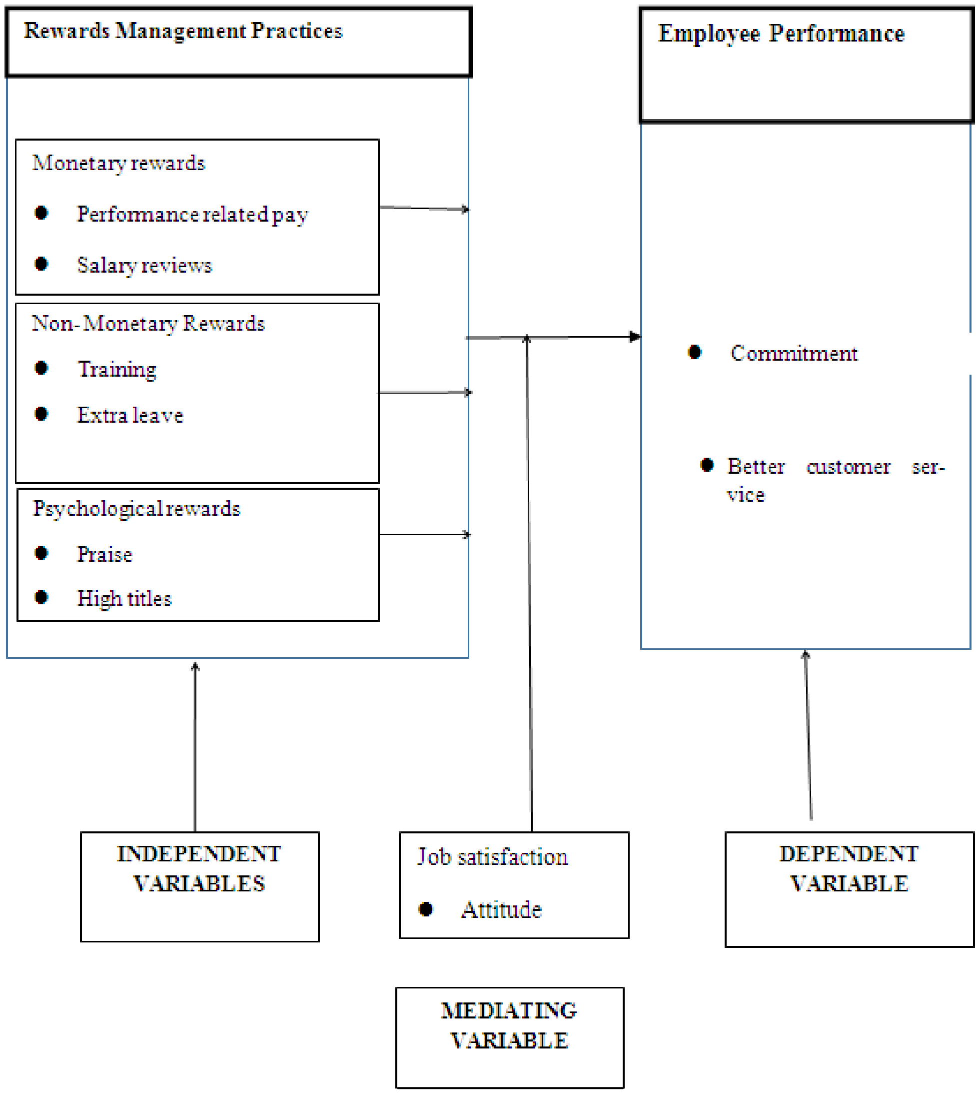
| *Author/ Year* | *country* | *Philosophical foundation* | *Objective of the study* | *Title* | *Findings* | *Research Gap* |
|---|---|---|---|---|---|---|
| ***Danso et al., 2013*** | Ghana | Positivism | To investigate the effects of rewards systems on employees performance in Ghana Commercial Bank | effects of rewards systems on employees performance in Ghana Commercial Bank | Reward systems misuse is one of the problems confronting many banks in west African region. | The study did not consider other problems rather generalization of one. |
| ***Nyandema 2014, Bello & Adebajo, 2014; Jesca, 2014; Murphy, 2015*** | Kenya | Positivism | To investigate effect of intrinsic and extrinsic reward on motivation among employees | Effect of intrinsic and extrinsic reward on motivation among employees | Both intrinsic and extrinsic reward systems affect career development and motivation among employees of Kenyan firms. | Both intrinsic and extrinsic rewards not only affect career development and motivation of employees. |
| ***Ermias 2017*** | Ethiopia | positivism | To investigate whether reward system has an impact on performance of employees at national bank of Ethiopia. | Effects of reward system on performance of employees at national bank of Ethiopia. | There is a positive relationship between monetary and non-monetary rewards with the perceive employee performance in the bank. | There were no enough findings on the positive and negative relationship between monetary and non-monetary rewards |
| ***Agwu (2013)*** | Nigeria | positivism | To investigate the effect of equitable system of compensation on employees performance in Nigerian Agip Oil Company limited Port-Harcourt. | Effect of equitable system of compensation on employees performance in Nigerian Agip Oil Company limited Port-Harcourt. | Existence of fair reward system has significantly affected the employees job. | Generalization of results that companies are not providing right amount of financial rewards to employees |
| ***Aktar et al. (2012)*** | | Positivism | To investigate financial and non-financial compensation in relation with performance of employees. | Effects of financial and non-financial compensation in relation with performance of employees | Identified different influencing variables which determine performance of staffs in financial industry. | The study only relied on their identified variables. |
| ***Ajila et al. (2004)*** | Nigeria | positivism | To investigate the effect of reward and | Effect of reward and | There is a positive relation | The study only dealt with only |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | compensation on employee's performance of central Bank Nigeria, Abuja. | compensation on employee's performance of central Bank Nigeria, Abuja. | between extrinsic reward and compensation with the staffs' performance in the bank. | extrinsic rewards |
| ***Omokorede (2017)*** | Nigeria | positivism | To investigated the impact of financial rewards on employee performance in selected Nigerian manufacturing. | Impact of financial rewards on employee performance in selected Nigerian manufacturing | Salary and wage have no significant impact on employee performance. | The research only worked on salaries and wages. |
| ***Kibet et al. (2013)*** | | Positivism | Examination of whether cash bonus has an effect on employee performance. | Effects of cash bonus on employee performance | Cash bonus has no significant impact on employee performance | The study was conducted through one reward element |

**3.2 Proposed conceptual framework**

Conceptual framework constitutes various ideas and principles that will enhance the development of awareness and understanding of the research concepts. The main variables identified in the study include, monetary rewards, non-monetary rewards, psychological rewards and employee performance. A future study should be done to establish the other factors that influence employee performance other than reward management practices.

Figure 3.2



## IV. Research Methodology

**4.1 Introduction**

This chapter presents the conclusion and recommendations based on the different theories and studies that have been reviewed. The chapter also proposes a conceptual framework for future study.

**4.4.1 Research design**

The proposed study will be based on a positivist research philosophy as it aims to test hypotheses that are based on existing theories. Most of the reviewed studies on rewards systems have used a descriptive design. The proposed study will use explanatory design in an effort to connect ideas in order to understand the cause and effect of the variables in use. The proposed study will therefore seek to explore the relationship between rewards systems and employees performance in commercial banks in Kenya.

**4.4.2 Population and sample of the study**

The population will comprise of the staff in all commercial banks and stratified sampling will be used to obtain the respective samples of managers to be used as the units of observation and to get samples from the different cadres of managers.

**4.4.3 Data collection**

The proposed study will use primary data. Cronbach's Alpha method will be used to test reliability of the data collection instruments. The primary data will be collected using semi structured questionnaires comprising of both open ended and closed ended questions and will be administered to managers of different levels within the commercial banks by drop and pick method. This method is considered in view of time constraints and also to enhance the chance of a high response rate. The questionnaires will be adapted from previous research on Reward management practices and employees performance. The questionnaires will be reinforced by structured interview schedules where the same cadre of managers within the sampled organizations will be interviewed.

**4.4.4 Data analysis**

The reviewed studies used a combination of descriptive and inferential statistics to analyse the data due to the need to describe variables as well as draw conclusions and make recommendations, the proposed study will therefore adopt similar method which is a combination of the two designs. The results will be presented in charts,graphs and tables.

## V. Conclusion And Recommendations

**5.1 Conclusions**

From the reviewed studies, it can be concluded that reward management practices have some positive effects on the employee's performance both the monetary and non-monetary. For an organization to thrive in a global market and have a competitive advantage it must work really hard to retain their employees.

The success of most service organizations depends on the performance and output of the human elements of the system. Employees constitute the most critical input in service industries, and as such their satisfaction and motivation is at the forefront of managerial task. Managers are therefore faced with the challenge of choosing which measure to adopt or whether to rely on intrinsic or extrinsic rewards system in order to gauge employee performance. The success of most service organizations depends on the performance and output of the human elements of the system. Employees constitute the most critical input in service industries, and as such their satisfaction and motivation is at the forefront of managerial task. Managers are therefore faced with the challenge of choosing which measure to adopt or whether to rely on intrinsic or extrinsic rewards system in order to gauge employee performance.

Conclusively, a well rewarded employee feels valued by the person or people that he/she is working for. Rewarded employees are encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self-development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees.

**5.2 Recommendations**

Reward appeals differently to employees as such employee commitment to organizational objectives can be achieved through the use of an appropriate reward system.

These systems serve as a motivating factor to improve employees' loyalty to organizational goals and target. Efficient reward system provides moral incentives which can be linked practically with some level of performance so as to distinguish excellent employees according to their performances as a means of improving employee performance. Such systems ensure that rewards are fair and recognize individual performances of employee both at their jobs and groups as a means of enhancing performance.

Employee place a great value on different rewards given to them by their employers and this has a significant impact on their performance. When a reward system does not make provision for different forms of reward and incentives that address employee needs, workers tend to express their displeasure by means of poor performance and non-commitment to their task. As such, reward systems should be based on definite, realistic and reliable standards must be clearly identified and redefined to make greater meaning to the employees because reward systems are not just important to the employer but are of great value to the employees as well.

**5.3 Research gaps**

A lot of research has been done however there are still gaps which still need to be researched on. As such some of the areas which can be considered in future research is apart from mainly concentrating in the banking sector more can be done on other organizations e.g broadcasting industries, county government offices, hospitals etc for a more generalized research on organizations.

A future study should be done to establish the other factors that influence employee performance other than reward management practices.Many prior studies have concentrated on rewarding employees for better performance and they have not looked at other issues that can make employees not perform well e.g the working conditions, are they well equipped with the right tools to perform their duties,are they hazard protected, secured. So in bridging this gap future balanced studies need to be done as the world organization keeps on growing.

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